This indicator is based on the high probability candlestick patterns described in the \_’Secrets of a Pivot Boss’\_ book.

The indicator does not suffer from repainting.

I have kept this indicator open source, so that you can take this indicator and design a complete trading system around it. Although the patterns have some \_statistical edge\_ in the markets, blindly using them as Buy/Sell Indicators will certainly result in a \_heavy loss.\_

I like some of these setups more than others, and I have listed them in the order of my likeness.

The first one I like the most, the last one, I like the least.

The patterns work well in both intraday and daily timeframes.

\_GENERAL USER INPUTS:­\_

These settings exist as the indicator uses ‘Labels’ to mark the patterns and Pine Script limits a maximum of 500 labels on a chart.

If you want to go back in the past and check how the indicator was doing, set the Start and End dates both and check the \_’Use the date range above to mark the Candlestick Setups?’\_ option.

\_EXTREME REVERSAL SETUP:\_

This is by far my favorite setup in the lot. Classic Mean Reversion setup.

The logic, as explained in the book, goes like this,

1. The first bar of the pattern is about two times larger than the average size of the candles in the lookback period.
2. The body of the first bar of the pattern should encompass more than 50 percent of the bar’s total range, but usually not more than 85 percent.
3. The second bar of the pattern opposes the first.

The setup works extremely well in high beta stocks like Vedanta VEDL.

Feel free to play with the settings in order to better align this pattern with your favorite stock.

Check out the examples below,

\_OUTSIDE REVERSAL SETUP:\_

My second favorite setup, it is quite good at catching intraday trends.

Here’s the logic,

1. The engulfing bar of a bullish outside reversal setup has a low that is below the prior bar’s low and a close that is above the prior bar’s high. Reverse the conditions for bearish outside reversal.
2. The engulfing bar is usually 5 to 25 percent larger than the size of the average bar in the lookback period.

Settings for this pattern simply reflect these conditions.

The pattern is pretty powerful and will sometimes help you catch literally all the highs and lows of the market, as shown in the examples of Vedanta VEDL and RELIANCE stocks below.

\_DOJI REVERSAL SETUP:\_

Doji candles signify market indecision and this pattern tries to profit off these market conditions.

Logic:

1. The open and close price of the doji should fall within 10 percent of each other, as measured by the total range of the candlestick.
2. For a bullish doji, the high of the doji candlestick should be below the ten-period simple moving average. Vice-versa for bearish.
3. For a bullish doji setup, one of the two bars following the doji must close above the high of the doji. Vice-versa for bearish.

This pattern works brilliantly well on larger timeframes on the intraday, like 15m/30m/60m.

This pattern also has a higher propensity to give false indications than the two described above.

Doji reversal typically helps to catch larger trend reversals. Check out the examples below from RELIANCE and NIFTY charts,

\_WICK REVERSAL SETUP:\_

This pattern tries to capture candlesticks with large wick sizes, as they often indicate trend reversal when coupled with significant support and resistance levels.

Logic:

1. The body is used to determine the size of the reversal wick. A wick that is between 2.5 to 3.5 times larger than the size of the body is ideal.
2. For a bullish reversal wick to exist, the close of the bar should fall within the top 35 percent of the overall range of the candle.
3. For a bearish reversal wick to exist, the close of the bar should fall within the bottom 35 percent of the overall range of the candle.

This pattern must always be coupled with important support resistance levels, else there will be a lot of false signals.

The chart below is the same NIFTY chart as above with the Wick Reversal candles marked as well.

You can see that there are a lot of false signals, but the price also indicates \_’pausing’\_ at important levels by printing a wick reversal setup.